Annual Report 2003

Saskatchewan Opportunities Corporation

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Letter of Transmittal

April 2004

To Her Honour
The Honourable Lynda Haverstock
Lieutenant Governor of the Province of Saskatchewan

Dear Madam:

I have the honour to submit the Annual Report of Saskatchewan Opportunities Corporation (SOCO) for the year ended December 31, 2003, including the financial statements duly certified in accordance with The Saskatchewan Opportunities Corporation Act.

Respectfully submitted,

Eric Cline, Q.C.

Minister Responsible
Saskatchewan Opportunities Corporation

Message from the Chair

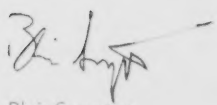
2003 saw the initiation of a process to complete the restructuring of the SOCO governance and financing structure. The investment functions of SOCO were transferred to CIC in 2002 in an effort to streamline investments for government and the focus for SOCO was refined to best serve the research parks' activities.

Innovation Place and the Regina Research Park have gone through a year of transition and have strived to meet and exceed expectations of the tenants by offering a high standard of accommodation and related services. Future changes are focused on enhancing the research parks, their visibility, their value to the tenants, and their growing contribution to the economic development of the province.

In early 2003, the Interim Board of SOCO received an operational review of the Research Parks Division by an independent consulting firm, which suggested a number of improvements to the governance and financial structure of the research parks. Wide consultation followed with various stakeholders including research park tenants, the Saskatoon and Regina economic development authorities and the universities. A number of options for the future structure and role of SOCO were developed from these opinions and a decision is expected early in 2004.

One particularly exciting development this year was the launch of construction of a new permanent facility to house the Saskatchewan Forest Centre in Prince Albert. The building not only assists in the re-development of the downtown core, but is expected to deliver a range of new technologies, enhance the province's forest management and research capacity, and to create the core of a vital hub of research and development to further support and expand the forest industry.

The types of projects that are driven by the research parks affect not only the local city, but the province and often the entire country. We are proud of the parks and the many tenants driving innovation and excellence in research and technology.



Blair Swystun
Chair of the Board

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Report from the President

2003 was the first full year SOCO focused solely on research park development and management and this focus produced improved results throughout the company.

External factors also changed in 2003, and after two years of uncertainty in the technology sector, demand from prospective clients in the industry has rebounded strongly. Revenues from research park clients have reached a historic high, surpassing other years by almost $2 million.

This year the Regina Research Park (RRP) reached a milestone as the park reached full occupancy. The park is now home to 27 tenants that employ over 820 people. As well, a new tenant, Titanium Corporation, leased land from RRP to build a pilot plant that will extract titanium and zircon from tar sand tailings. Construction has commenced at a cost to Titanium Corporation of approximately $5 million.

By the end of 2003, the Innovation Place Bio Processing Centre experienced increased demand requiring the addition of a third shift of plant operators for 2004. This unique plant provides extraction and fractionation services on a contract basis for bio-products companies in Saskatchewan and around the world. It produces cosmetics, nutraceuticals and industrial products from plant material, supporting the diversification of Saskatchewan's agricultural sector.

Stakeholder satisfaction surveys, conducted in November to assess the research parks' performance, showed unprecedented rates of client satisfaction, staff satisfaction and approval from the general public.

SOCO also embarked upon a corporate strategic planning process this year, involving all levels of staff. The process resulted in over 150 new initiatives to improve performance that will be implemented in 2004.

A new structure for SOCO and the research parks is now under review by the government. This structure will determine the future governance, management and funding for the research parks. A decision is expected early in 2004 and I am confident that the changes will support the development of Saskatchewan's research parks and give us solid direction for the years ahead.

Douglas Tastad
President and CEO

Balanced Scorecard

CORPORATE PLAN

Saskatchewan Opportunities Corporation (SOCO) was established as a Crown corporation in 1994. As such, SOCO takes its strategic direction from Crown Investments Corporation (CIC), the holding company for provincial Crown corporations, whose board members are elected cabinet ministers.

In 1999, CIC developed a Crown Sector Strategic Plan (the plan) to assist all Crown corporations in developing their own strategic plans. CIC has since refined the plan and its four balanced scorecard perspectives have been integrated into SOCO's corporate plan and operations. SOCO's 2003 balanced scorecard perspectives are economic development, customer satisfaction, financial success and human resources development. During the fall of 2003, SOCO underwent a comprehensive strategic planning session resulting in revisions to its 2004 corporate plan and the balanced scorecard perspectives for 2004 were adjusted slightly to Economic Development, Stakeholder Satisfaction, Community Leadership and Financial Performance. The following balanced scorecard provides the link between the 2003 and 2004 measures and targets.

MISSION

To support the growth and success of the Saskatchewan technology sector through the development and operation of research parks.

VISION

Saskatchewan's research parks will be the best in the world.

VALUES

Excellence: The pursuit of excellence in design, operations and administration.

Innovation: Innovation in all our business activities.

Collaboration: Open and accountable in all our partnerships.

GOALS

Economic Development

- Grow Saskatchewan's technology sector

Stakeholder Satisfaction

- Ensure employees, clients, ownership and all external stakeholders view their relationship with SOCO as positive

Financial Performance

- Build a sustainable financial structure that allows for the growth of the research parks

Community Leadership

- Lead on environmental issues
- Enhance the reputation of the province
- Build a knowledgeable and representative workforce

Economic Development					
OBJECTIVES	MEASURES	2002 Target	2003 Actual	2004 Target	DISCUSSION
Job creation in the technology sector	Annual increase in employment within the research parks	75	11	75	SOCO expected the number of people employed by park tenants to increase by 75 in 2003, but a major research park tenant restructured and reduced staff and another significant tenant vacated near year end pushing the measure down.
	Number of employees working within the research parks	New	2800	2875	These two measures are included in 2004 as management believes the measures will provide additional context to the annual employment measure.
	Number of external jobs supported by the research parks	New	3500	3600	
High occupancy in parks' buildings	Percentage of space within the research parks that is occupied by tenants	95%	95.08%	Dropped	SOCO has maintained a target of 95% occupancy, but the company believes this measure has been counter-productive as it gives the impression that the main goal is to reduce vacancy levels to below 5%. The occupancy level is expected to increase throughout 2004 creating a severe lack of space to support growth of our clients. In the future, SOCO will drop the occupancy level measure and replace it with a measure comparing inventory to demand.
Sufficient inventory of space to support demand	Ratio of inventory existing or approved for development to identified demand	New	26%	10%	
Economic impact from the research park tenants	Independent analysis of the economic impact of research park tenants	$390M	$443.9M	$400M	The 2002 measure was exceeded by $53M in 2003 due to increased value of goods and services purchased by tenants, and an increase in their total purchases made in Saskatchewan. The 2004 measure was developed prior to the 2003 survey; therefore, the 2004 target may be low.

Balanced Scorecard

Stakeholder Satisfaction					
OBJECTIVES	MEASURES	2003 Target	2003 Actual	2004 Target	DISCUSSION
Client satisfaction	Annual survey of clients' employees' satisfaction	78%	99.3%	82%	Management attributed the high approval rating to the hard work staff have done to ensure tenants are responded to quickly and treated fairly. The 2004 measure was developed prior to the 2003 survey; therefore, the 2004 target may be low.
	Annual survey of client CEO satisfaction	90%	99%	90%	
Employee satisfaction	Annual survey of employee satisfaction	82%	92.5%	85%	Management attributes the increase in employee satisfaction to two main factors. The first is the comprehensive strategic planning session initiated in 2003 which involved every staff member. This process showed staff their comments and concerns are important and will be considered by management. The second reason is over the past two years, staff concerns regarding the future of SOCO have been addressed, therefore increased employee satisfaction was reflected in the 2003 survey.
Public awareness	Annual survey of public awareness of Innovation Place	26%	46.6%	30%	The government has continuously highlighted Innovation Place and the Regina Research Park as successful economic development tools. Management believes this effort from government and the additional exposure of the Regina Research Park has increased the awareness and approval of the parks in Saskatchewan.
	Annual survey of public awareness of Regina Research Park	18%	26.3%	30%	
Public approval	Annual survey of public approval of research park mandate	62%	92%	70%	

Financial Performance					
OBJECTIVES	MEASURES	2003 Target	2003 Actual	2004 Target	DISCUSSION
Improved operating results	Ratio of net operating income to net operating asset book value	3.60%	3.24%	4.39%	SOCO's year-end ratio is lower than expected due to a non-recurring unbudgeted expense and additional non-budgeted capital assets acquired in late 2003.

Community Leadership

OBJECTIVES	MEASURES	2003 Target	2003 Actual	2004 Target	DISCUSSION
Reduce landfill waste	Kilograms of waste per square foot of office buildings per month	.33 kg/ft²	.31 kg/ft²	.31 kg/ft²	SOCO participates in the following initiatives: green bins for cardboard; blue bins for office paper; composting and topsoil recovery. In 2003, 223,000 kg of solid waste material was generated, or .31kg/ft², a 4% reduction overall through our green and blue bin initiative. Composting proved successful in 2003, as approximately 100,000 kg of material was recovered and composted.
Energy efficient buildings	Design all new buildings to achieve a 30% reduction in energy use	Ongoing	Ongoing	Ongoing	The Saskatchewan Forest Centre Building was designed utilizing a variety of advanced energy-efficiency measures. With the proposed design, the Saskatchewan Forest Centre Building's energy target will achieve a 40% reduction when compared to reference buildings. In the past, 421 Downey Road at Innovation Place was modelled at 36% below National Building Code Standard and The Terrace in the Regina Research Park was modelled at 40% below National Building Code Standard. In 2003, The Terrace received the National Resources Canada award for the most energy-efficient building in Canada.
Reduce energy used in existing buildings	Megajoules per square foot of energy used	229 MJ/ft²	230 MJ/ft²	212 MJ/ft²	SOCO participates in the federal government program that funds projects aimed at reducing the amount of energy consumed by facilities. The five-year objective is to reduce the energy consumption by 20% or 9 MJ/ft² per year. The 2003 energy consumption was 230 MJ/ft², a reduction of 8 MJ/ft². Therefore, despite the warmest summer since 1997, Innovation Place was able to come extremely close to meeting its target in 2003.
Improve national and international perception of Saskatchewan	Number of national and international delegations hosted by Saskatchewan's research parks	30	67	50	SOCO has a goal to enhance the reputation of Saskatchewan. SOCO spends time hosting national and international visitors and attending speaking engagements in various locations throughout North America. Tracking the number of national and international delegations hosted by SOCO and the number of presentations provides evidence of SOCO's promotion of Saskatchewan's capabilities.
	Number of national and international visitors hosted by research parks' clients	New	New	1,000	For the first time in 2004, the survey of clients will ask for the number of national and international visitors to the park's clients. As no historical data exists, a target of 1000 has been established for 2004. When data from the 2004 survey has been received, future targets will be adjusted.
A well-trained workforce	Percentage of employees receiving training	90%	63.6%	100%	SOCO did not meet its 2003 target to ensure 90% of staff received job-related training in 2003. Instead, only 63.6% of staff attended training. Management believes this reduced percentage was a function of the company-wide cost restraints initiated in 2002 which carried over into 2003. Management will focus on ensuring 100% of staff receive cost-effective job-related training in 2004.
A diverse work force	Percentage of aboriginal employees	3.30%	4.76%	4.69%	SOCO's targets were based on levels at the beginning of the year and are not expected to increase. SOCO was not anticipating new development in 2003 and expected future hires to be minimal. SOCO did conduct a "self-identification survey" in November 2003 to provide staff with a formal means to identify themselves in a target group. This survey identified additional employees with a disability. The changes to the other categories varied due to the minimal change to the composition of our staff.
	Percentage of women employees	37%	38.10%	40%	
	Percentage of employees who have a disability	2.5%	6.35%	3.13%	
	Percentage of employees who are a visible minority	1.7%	1.59%	1.56%	

Management's Discussion and Analysis - 2003

The following management's discussion and analysis for the Saskatchewan Opportunities Corporation (SOCO) should be read in conjunction with the audited financial statements and notes to those statements for the year ended December 31, 2003. What follows will provide the context within which SOCO's financial statements should be analysed.

CORPORATE OVERVIEW

SOCO is a Crown corporation with a direct reporting relationship to the provincial government through the Crown Investments Corporation of Saskatchewan as well as Treasury Board. The corporate mission is to support the growth and success of Saskatchewan's technology sector through the development and operation of research parks.

SOCO leases high-quality space and provides services to tenants at Saskatchewan's two research parks, Innovation Place adjacent to the University of Saskatchewan and Regina Research Park adjacent to the University of Regina. The intention is that tenants will have the capability and opportunity to share information with others resulting in synergies (clusters) and innovation. SOCO also operates the Bio Processing Centre which supports the bio-products industry by providing custom processing on a contract basis for nutraceutical, cosmetic and agri-food industries.

BUSINESS STRATEGY

The research parks have helped their clients generate approximately $440 million of economic impact for the province last year. Approximately 2,800 people work within the research parks. Provincially, thousands more jobs depend on the activities of the clients of the research parks for their employment.

The corporate mission to support the growth and success of the Saskatchewan technology sector can only be achieved by SOCO through the maintenance and growth of the research parks. The maintenance of the research park's buildings and infrastructure is critical to SOCO's success. SOCO prepares a detailed capital maintenance plan to ensure the buildings are properly maintained. SOCO has determined that approximately $1.5 million is necessary on an annual basis to maintain its 1.2 million square feet. In order to advance the growth of the research parks, SOCO also prepares a five-year capital plan which outlines potential construction projects supported by market conditions.

SOCO's research parks are situated adjacent to the province's two major universities. This proximity has assisted in creating centres of technical excellence at the University of Saskatchewan and the University of Regina by supporting the research activities of those institutions. The research parks have also been successful in leveraging federal and industry investment in research and economic development.

Management's Discussion and Analysis - 2003

BUSINESS HIGHLIGHTS

The 2003 fiscal year marked SOCO's first full year of operation as purely a research park management company. Prior to that, SOCO also provided financing to small and medium-sized Saskatchewan businesses. In 2002, the government announced that SOCO's investment portfolio would be transferred to the Crown Investments Corporation. This transfer was completed at the end of 2002 and the corporation focused entirely on its research park operations during 2003. This new clarity and management focus has been beneficial to employees and clients.

Strategic and financial planning for the research parks became a corporate endeavour in 2003 with every member of the staff involved. Through strategic planning teams, staff were challenged to participate in a process of evaluation and improvement for all aspects of research park operations. The SOCO Balanced Scorecard provided the structure for this process and each corporate goal was considered by every strategic planning team. Staff responded to the challenge and the result has been a widely understood corporate mission and staff that are committed to corporate goals and continuous improvement.

The management of the research parks seeks to create some of the best industrial research facilities in the world through the development of new building technologies and operational responsibility. These efforts were rewarded in 2003 when the Terrace Building in Regina received the Natural Resources Canada award as the most energy-efficient building in Canada. Innovative research is continuing at the pilot plant level at the Regina Research Park with the development and construction of an extension to 6 Research Drive. In 2003, SOCO purchased two existing buildings from the University of Regina (1 and 2 Research Drive). These buildings add to the Regina Research Park's inventory of space and their acquisition will assist the park in creating a critical mass early in its development.

In Saskatoon, Innovation Place is well positioned to react to demand for space arising out of the completion of the Canadian Light Source. As well, the impact of the National Research Council's Industry Collaboration Wing of the Plant Biotechnology Institute could see as many as five new companies relocate to Innovation Place as those companies grow and mature.

Construction of the Saskatchewan Forest Centre Building in Prince Albert began in 2003 and the building is scheduled for occupancy in early 2005.

SOCO has been actively involved, along with the other Saskatchewan Crown corporations, in the development of the Crown Privacy Policy. SOCO plans to implement the privacy policy in 2004.

Management's Discussion and Analysis - 2003

FINANCIAL REVIEW

The corporation's 2003 financial results, excluding the operating contribution from the General Revenue Fund (GRF), represent similar results to 2002.

The following highlights accounting policies and estimates of particular importance to SOCO:

- Buildings under construction are converted to rental assets at the earliest of one year after substantial completion or upon attaining 50% occupancy. No amortization is taken on assets under construction until they are converted to a rental asset.

- Management makes a number of estimates and assumptions that affect reported amounts. The most significant estimates made by SOCO management include the assessment of the collectibility of accounts receivable, the recoverability of property, plant and equipment through future rental operations and amounts relating to contingencies.

The 2003 rental and development revenue exceeds the 2002 revenue by $1.7 million. This can be further broken down to an increase of rental revenue at Innovation Place of $1.5 million. This increase is a result of one building, 421 Downey Road, having its first full year of operation in 2003. In addition, Innovation Place had several significant new leases during 2003 increasing the rental revenue relative to 2002. Although the Bio Processing Centre's revenue decreased in 2003, a higher margin on sales led to the net results from operations being within $45,000 of the net results of 2002. Rental revenue at Regina Research Park increased by $0.5 million mainly due to the October 1 purchase of 1 and 2 Research Drive.

SOCO generates approximately 36.8% of its revenue from various Saskatchewan Crown corporations, departments, agencies, boards and commissions related to the corporation by virtue of common control by the Government of Saskatchewan.

Rental and development expenses increased by $1.5 million. This is attributable to the first full year of operations for 421 Downey Road, as well as an increase in bad debts. In addition, SOCO accrued an amount for a one-time non-recoverable expense as discussed in note 9, Commitments and Contingencies.

SOCO saw its asset base grow by over $10 million in 2003. The majority of this increase was due to the purchase of 1 and 2 Research Drive from the University of Regina. In addition, construction began on the Saskatchewan Forest Centre Building in Prince Albert during the year. This base building is expected to be completed in 2004 with tenant improvements

completed thereafter. Management expects to convert the Saskatchewan Forest Centre Building to a rental asset in the fall of 2005. SOCO acquired an additional $10 million in debt in the form of notes payable to the GRF during 2003 to fund the capital additions.

Since inception in 1994, SOCO has received no equity advances. It has relied exclusively on debt financing and cash from operations to acquire and expand its research park operations. SOCO makes regular interest payments and sinking fund contributions to the GRF on all its debt. Operating grants are received from the GRF to assist SOCO in meeting its economic development mandate.

SOCO's 2003 budget indicated the corporation would generate a $155,000 loss for 2003. Actual results show a loss of $198,000. Management carefully monitored variances through the year, resulting in the 2003 results being within $43,000 of the 2003 budget.

RISKS AND UNCERTAINTIES

The main risks facing the corporation fall into three general categories:

Rental Property Vacancy Risk

Vacancy risk is inherent in the property management business. The majority of the costs at Innovation Place and the Regina Research Park, such as amortization, property taxes and interest expense are fixed costs. As a result, the operating results of the research parks depend to a large extent on the level of occupancy achieved. Therefore, a critical risk factor related to research parks is failing to replace tenants as they leave and thus being unable to cover fixed costs.

Directly related to rental property vacancy risk is clients' industry risk. This is the risk inherent in the industry in which a client operates. A downturn in a particular sector of the economy can have an impact on research park financial results after some "lag" time. This risk is further exacerbated by the cluster strategy inherent in research parks whereby clients in the same sector are encouraged to locate in the park to gain synergies. Recent downturns in the agriculture and telecommunications/internet sectors have impacted research parks results.

Given the historically high occupancy rates and the current leases at Innovation Place and the Regina Research Park, management does not consider vacancy to be a significant risk for the foreseeable future.

Interest Rate Risk

Currently, research park capital is financed entirely by debt advances from the GRF. Commercial real estate ventures are typically only 50 to 60 percent debt financed to alleviate some of the interest burden in the early stages of a project when it is least able to generate sufficient cash.

The capital advances for research parks start out as short-term advances (90-day) to finance capital construction. In an ongoing effort to mitigate interest rate risk for the research park operations, these short-term advances are converted to longer terms as market conditions are favourable. At the end of the 2003 fiscal year, only $25.8 million of the corporation's $151.2 million debt was short term.

A rapid and dramatic rise in interest rates may still have an impact on the research parks' operating results because increased interest costs cannot be passed on to tenants. Management closely and continuously monitors interest rates and market conditions.

Risk of Access to Adequate Capital for Research Park Growth

SOCO's mission to support the growth and success of the Saskatchewan technology sector through the development and operation of research parks is dependent on access to adequate capital. SOCO can only affect growth of the technology sector through the growth of the research parks and this growth must be financed through capital. The existing financing model has resulted in levels of debt for the research parks that necessitate the need for a new structure to be adopted which allows for sustainable growth and development of new research park assets.

At the end of 2003, options for a new governance structure and financing model for the research parks were being developed in consultation with the various stakeholders of research parks.

OUTLOOK

As we move into 2004, we expect to see greater activity in the advanced technology sector. In Saskatoon, the life sciences sector offers substantial opportunity for medium-term growth at the research parks. Many existing clients are considering expansion and a number of potential clients have approached management to discuss facilities in both parks.

In 2004, we expect to see the resolution of the capital structure and governance issues for research parks. This will allow research park management and our clients to plan for the future and ensure a strong and dynamic technology sector in Saskatchewan.

Management's Responsibility for Financial Statements

The accompanying financial statements of the Saskatchewan Opportunities Corporation have been prepared by corporate management in accordance with Canadian generally accepted accounting principles and necessarily include amounts based on informed judgment and management estimates. Financial information presented elsewhere in this annual report is consistent with that in the financial statements.

The corporation's independent auditors, KPMG LLP, have examined the financial statements of the corporation. The scope of their examination and their opinion on whether these financial statements present fairly the corporation's financial position and operating results are given in the auditor's report.

Ensuring the integrity and objectivity of financial information is an integral part of management's responsibility to the ongoing operation. Management maintains an appropriate system of internal controls, policies and procedures to provide reasonable assurance that all financial transactions are recorded on a timely basis with proper approvals and result in reliable financial statements.

The Interim Board of Directors has reviewed and approved these financial statements. The entire Interim Board acts as an audit and finance committee and meets periodically with management. The Interim Board met with the auditors and management to discuss internal accounting controls, audit results and accounting principles and practices.

On behalf of management,

Douglas Tastad
President & Chief Executive Officer

Charlene Callander
Acting Chief Financial Officer

Auditor's Report

We have audited the statement of financial position of the Saskatchewan Opportunities Corporation as at December 31, 2003, and the statements of operations and retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 2003, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants

Regina, Saskatchewan
February 9, 2004

Statement of Financial Position
as at December 31

	2003 (000s)	2002 (000s)
ASSETS		
Cash	$ 2,641	$ 1,853
Accounts Receivable and Prepaid Expenses	3,227	4,641
Property, Plant and Equipment (Note 2)	151,641	141,545
	$ 157,509	$ 148,039
LIABILITIES AND EQUITY		
Accounts Payable and Accrued Liabilities	$ 4,954	$ 4,237
Deferred Revenue (Note 3)	4,000	-
Notes Payable (Note 4a)	25,800	15,800
Long-term Debt (Note 4b)	125,399	126,469
	160,153	146,506
Province of Saskatchewan's Equity (Deficit)		
Retained Earnings (Deficit)	(2,644)	1,533
	$ 157,509	$ 148,039

(Commitments and Contingencies – Note 9)
(See Accompanying Notes)

On behalf of the Board

Blair Swystun
Director

Kathryn Buitenhuis
Director

Statement of Financiai Position
as at December 31

	2003 (000s)	2002 (000s)
REVENUE		
Rental and Development Income	$ 19,567	$ 17,821
Operating Contribution - General Revenue Fund	6,641	4,352
	26,208	22,173
EXPENSES		
Operating and Administration	2,198	2,369
Interest (Note 4d)	7,508	7,345
Rental and Development	12,252	10,740
Amortization	4,153	3,829
Restructuring	295	464
	26,406	24,747
Loss From Operations	(198)	(2,574)
Income From Discontinued Operations (Note 5)	-	1,200
Net Loss	(198)	(1,374)
Retained Earnings, Beginning of Year	1,533	1,242
Related Party Transaction Adjustment (Note 7)	(3,979)	-
Transfer of Appropriated Retained Earnings	-	1,665
Retained Earnings (Deficit), End of Year	$ (2,644)	$ 1,533

(See Accompanying Notes)

Statement of Cash Flows
for the year ended December 31

	2003 (000s)	2002 (000s)
OPERATING ACTIVITIES		
Loss from Operations	$ (198)	$ (2,574)
Add non-cash item:		
Amortization	4,153	3,829
Change in non-cash operating items:		
Decrease (Increase) in Accounts Receivable and Prepaid Expenses	1,414	(1,502)
(Decrease) Increase in Accounts Payable and Accrued Liabilities	(428)	461
Cash Provided by Operating Activities	4,941	214
INVESTING ACTIVITIES		
Increase (Decrease) in Accounts Payable for Capital	1,145	(1,265)
Investment in Property, Plant and Equipment	(18,228)	(2,285)
Cash Used in Investing Activities	(17,083)	(3,550)
FINANCING ACTIVITIES		
Net Change in Notes Payable	10,000	6,100
Non-repayable Contributions for Capital (Note 3)	4,000	-
Net Change in Long-term Debt	(1,070)	(1,023)
Cash Provided by Financing Activities	12,930	5,077
Net Cash Used in Discontinued Operations (note 5)	-	(1,059)
Increase in Cash Position for the Year	788	682
Cash, Beginning of Year	1,853	1,171
Cash, End of Year	$ 2,641	$ 1,853
Supplementary Information:		
Interest Paid on Notes Payable and Long-term Debt	$ 7,800	$ 7,897

(See Accompanying Notes)

Notes to Financial Statements

December 31, 2003

Saskatchewan Opportunities Corporation (the "Corporation") was incorporated under The Saskatchewan Opportunities Corporation Act, which was proclaimed and came into force on August 15, 1994. The Corporation is an agent of Her Majesty in Right of the Province of Saskatchewan and as a provincial Crown corporation is subject to neither federal nor provincial income tax. The financial results of the Corporation are included in the consolidated financial statements of Crown Investments Corporation of Saskatchewan (CIC).

On March 27, 2002, the Minister of Finance for the Province of Saskatchewan, through release of the 2002-03 fiscal budget, announced the province's intention to wind down the operations of the Corporation. At that time, it was announced that the Corporation's Investment Division would be transferred to CIC Industrial Interests Inc. (CIC III), a wholly owned subsidiary of CIC. This transfer is accounted for as Discontinued Operations and is disclosed in note 5 to these financial statements.

As at December 31, 2003 no formal plan of disposition had been approved for the Corporation's Research Parks Division. As such, these financial statements are prepared on the assumption that the Corporation is a going concern.

The Corporation's mandate is to facilitate economic growth in Saskatchewan by investing in research parks that support the development of business.

1. ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The following accounting policies are considered to be significant:

a) Property, Plant and Equipment

Property, plant and equipment are recorded at the lower of cost, net of accumulated amortization, and net recoverable amount. The cost of property, plant and equipment includes direct development costs and interest capitalized during construction. Land consists of property purchased in Prince Albert. Rental assets consist of buildings at Innovation Place in Saskatoon, and at Regina Research Park, as well as related site improvement costs, tenant improvements, furniture and equipment. Office equipment and furniture are assets used by the Corporation in its own offices.

Buildings and site improvement costs, net of estimated residual value, are amortized on a straight-line basis over the estimated useful life of the particular asset (15 to 40 years). Tenant improvements are amortized on a straight-line basis over the term of the associated lease (5 to 10 years). Equipment and furniture are amortized on a straight-line basis over three to five years.

Notes to Financial Statements
December 31, 2003

Construction in progress consists of buildings and tenant improvements currently under development. Buildings under construction are converted to rental assets at the earliest of one year after substantial completion or upon attaining 50% occupancy. No amortization is taken on assets under construction until they are converted to a rental asset.

b) Operating Contribution

Operating Contributions are provided by the General Revenue Fund (GRF) in recognition of the Corporation's economic development mandate. These funds are to cover the budgeted costs of corporate administration and operation of the Research Parks Division and are recognized as revenues when they are due to the Corporation.

c) Revenue Recognition

All revenue is recognized based on the Corporation's right to revenue pursuant to contracts with customers, tenants and clients using the accrual basis of accounting.

Government assistance (contributions) for rental assets is recorded as deferred revenue and amortized on the same basis as the related asset.

d) Use of Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make a number of estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ from these estimates. These estimates are reviewed periodically, and, as adjustments become necessary, they are reported in earnings in the year in which they become known.

Notes to Financial Statements
December 31, 2003

2. PROPERTY, PLANT AND EQUIPMENT

	Cost (000s)	Accumulated Amortization (000s)	2003 Net Book Value (000s)	2002 Net book Value (000s)
Rental Assets	$ 167,524	$ 23,067	$ 144,457	$ 139,061
Land	1,093	-	1,093	-
Office Equipment and Furniture	1,923	1,620	303	544
Construction-in-Progress	5,788	-	5,788	1,940
	$ 176,328	$ 24,687	$ 151,641	$ 141,545

3. DEFERRED REVENUE

During the year the Corporation received $4 million of non-repayable contributions from the Department of Industry and Resources of the Province of Saskatchewan, a related party. The contribution was provided to cover a portion of the construction costs of the Saskatchewan Forest Centre Building in Prince Albert.

4. NOTES PAYABLE AND LONG-TERM DEBT

a) Notes Payable

At December 31, 2003, the Corporation had short-term debt payable to the GRF of $25,800,000 (2002 - $15,800,000), due March 31, 2004. Short-term notes from the GRF bear interest at rates established on a quarterly basis by the Department of Finance. The interest rate at December 31, 2003 is 2.62% (2002 – 2.74%).

b) Long-term Debt

Principal Outstanding (000s)	Maturity Date	Interest Rate	Sinking Fund Balance (000s)	2003 Net Principal Outstanding (000s)	2002 Net Principal Outstanding (000s)
$ 10,000	June 01/06	6.00%	n/a	$ 10,000	$ 10,000
20,000	May 28/08	5.50%	1,450	18,550	18,820
40,000	June 02/08	5.50%	2,316	37,684	38,192
25,000	June 17/19	5.50%/5.75%	n/a	25,000	25,000
25,000	Jan 25/30	6.10%/6.25%	835	24,165	24,457
10,000	Dec 1/06	4.75%	n/a	10,000	10,000
$ 130,000			$ 4,601	$ 125,399	$ 126,469

Notes to Financial Statements
December 31, 2003

The long-term debt, due to the GRF, is reported net of associated sinking funds. The annual sinking fund contribution is equal to 1% of the principal outstanding as indicated above.

The June 17, 2019 debt issue contains a one-time redemption provision exercisable on June 17, 2004 whereby the investor may redeem the debt. The debenture pays interest at 5.50% until June 17, 2004 and 5.75% thereafter.

The January 25, 2030 debt issue contains a one-time redemption provision exercisable on January 25, 2005 whereby the investor may redeem the debt. The debenture pays interest at 6.10% until January 25, 2005 and 6.25% thereafter.

c) Fair Value

The fair value of long-term debt, based on net present value at December 31, 2003, is $138,051,000 (2002 - $137,800,000).

d) Interest Expense

Interest expense consists of the following:

	2003 ($000s)	2002 ($000s)
Notes Payable	$ 502	$ 754
Long-term Debt	7,164	7,212
	$ 7,666	$ 7,966
Investment Division (Discontinued Operations)	-	(406)
Interest Capitalized	(59)	(180)
Interest Income	(99)	(35)
	$ 7,508	$ 7,345

Notes to Financial Statements
December 31, 2003

5. DISCONTINUED OPERATIONS

Discontinued operations consist of the Corporation's Investment Division which was divested in the prior year through transfer of the investment portfolio to CIC. The assets were transferred at their book value of $19,829,000 along with a corresponding amount of debt.

Summarized financial information of discontinued operations is as follows:

	2003 (000s)	2002 (000s)
Revenue		
Investment Income	$ -	$ 1,201
Operating Contribution – General Revenue Fund	-	3,562
Investment Contribution – General Revenue Fund	-	1,248
	-	6,011
Expenses		
Operating and Administrative	-	1,655
Interest	-	406
Amortization	-	132
Charge for Investment Impairment	-	2,269
Loss from Equity Investments	-	235
Restructuring	-	114
	-	4,811
Net Income from Discontinued Operations	$ -	$ 1,200
Cash Flows		
Net Cash Provided by Operating Activities	$ -	$ 2,591
Net Cash (Used in) Provided by Investing Activities	-	(1,636)
Net Cash (Used in) Provided by Financing Activities	-	(2,014)
Net Cash (Used in) Provided by Discontinued Operations	$ -	$ (1,059)

6. FINANCIAL INSTRUMENTS

a) Significant Terms and Conditions

There are no significant terms and conditions related to current assets or liabilities that may affect the amount, timing and certainty of future cash flows. Significant terms and conditions for the other financial instruments are disclosed separately in these financial statements.

Notes to Financial Statements
December 31, 2003

b) Fair Value

Due to their short-term nature, the carrying values of cash, accounts receivable, accounts payable and accrued liabilities, and notes payable approximate their fair values.

c) Interest Rate Risk

Interest rate risk is the risk of financial loss resulting from changes in market interest rates. Changes in interest rates on financial assets and liabilities with variable rates have a direct impact on earnings.

d) Credit Risk

Credit risk arises from the possibility that tenants may experience financial difficulty and be unable to fulfill their lease term commitments. Although the Corporation's policy to promote economic development leads to accepting some tenants that have higher credit risk, potential losses are mitigated by the fact that no one tenant occupies more than 10% of rentable space.

7. RELATED PARTY TRANSACTIONS

Included in these financial statements are transactions with various Saskatchewan Crown corporations, departments, agencies, boards and commissions related to the Corporation by virtue of common control by the Government of Saskatchewan. Non-Crown corporations and enterprises subject to joint control and significant influence by the Government of Saskatchewan are also considered related parties.

During the year the Corporation purchased buildings from a related party for $11,100,000. The buildings were recorded at the carrying value of the buildings as of the transaction date, $7,121,000. The difference between the exchange amount and the carrying value has been charged to Retained Earnings.

Routine operating transactions with related parties are settled at agreed upon amounts under normal trade terms. These transactions and amounts outstanding at year end are as follows:

	2003 ($000's)	2002 ($000's)
Accounts Receivable and Prepaid Expenses	$ 495	$ 530
Accounts Payable	653	724
Rental and Development Income	7,194	6,762
Operating Expense	10,434	12,839

Accounts payable includes $1,077,000 (2002 - $1,076,000) of interest payable to the GRF.

The Corporation pays Provincial Sales Tax to the Saskatchewan Department of Finance on all its taxable purchases. Taxes paid are recorded as part of the cost of those purchases.

Notes to Financial Statements
December 31, 2003

Other transactions and amounts due to and from related parties and the terms of settlement are described separately in these financial statements and the notes thereto.

8. PENSION PLAN

All employees are members of the Capital Pension Plan, a defined contribution plan administered by CIC. The Corporation's financial obligation is limited to making regular payments in proportion to employees' earnings.

9. COMMITMENTS AND CONTINGENCIES

The estimated cost to complete projects under construction is approximately $7,795,000 (2002 – $1,018,000).

The Corporation holds long-term land leases with both the University of Saskatchewan and the University of Regina for research park development. The actual lease payments are nominal.

The Corporation continues its discussion with the City of Saskatoon regarding electrical consumption for one building at Innovation Place that was not appropriately metered for the period of 1987 to 2002. The Corporation has accrued an amount which is considered to be a reasonable estimate based on the current facts. The Corporation will account for any difference in the settlement amount in the period in which the issue is resolved.

The Corporation is also the defendant in other legal suits and disputes that have arisen in the normal course of business. The Corporation does not believe that the ultimate resolution of these matters will result in any material liability.

10. COMPARATIVE FIGURES

Certain amounts for the prior year have been reclassified to conform with current year financial statement presentation.

Corporate Information

Interim Board of Directors

Blair Swystun, *Chair*
Acting Chief Financial Officer
Crown Investments Corporation
Regina, SK

Kathryn Bultenhuis
Acting Senior Vice-President
Crown Investments Corporation
Regina, SK

Glen Veikle
Assistant Deputy Minister
Department of Finance
Regina, SK

Corporate Officers

Douglas Tastad
President and Chief Executive Officer

Charlene Callander
Acting Chief Financial Officer
(to December 31, 2003)

Glenda Bruce
Vice-President and Chief Financial Officer
(on leave to December 31, 2003)

Senior Management

Austin Beggs
Director of Marketing and Corporate Development

Ken Loeppky
General Manager, Regina Research Park

Rob Trimble
Director of Client Services

Gregg Willie
Manager, Bio Processing Centre

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